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CONNECTICUT 06457

Benjamin D. Florsheim
MAYOR

The process of drafting and preparing the 2022-23 budget has been the most rewarding so far during my time as mayor, yet also the most difficult. The rewarding piece is because our approach to budgeting and the new investments we've made in city services have been working, with the results to show it—our good decisions are catching up to us, and we have the opportunity to make more of those forward-looking investments this year. And despite rising prices and materials delays, we are making continued, steady progress in the multi-year upgrades underway for City parks, roads, and infrastructure. I am so grateful to the amazing City of Middletown staff that makes it all possible, particularly the Finance Department and the Mayor's Office staff for their efforts on the budget every year. I also want to thank the Common Council, with whom I have been proud to work over the last two years to pass collaborative, progressive, bipartisan budgets, without the political rancor or gamesmanship so common now in government.

One reason it's been a difficult budget is that some bad decisions are catching up to us, too. Despite the ongoing and significant projects I mentioned addressing City-owned infrastructure, the cost of underinvesting in those assets over the years has meant we still have a long way to go. Our water and sewer infrastructure, in particular, is in need of significant updates in the years ahead—we'll accomplish it, but it will require difficult decisions about other City priorities in the meantime. We will also need to learn from that past mistake and budget carefully to maintain our beautiful new public facilities to protect our investment.

Another reason this budget has been challenging is the situation at the Middletown Board of Education. For a variety of reasons, I cannot support the Board's budget as adopted last night, and I will get into the specific concerns I have in the second part of my budget address. I do want to extend my deep gratitude and encouragement to all the staff at Middletown Public Schools, who do extraordinary work every day, and particularly the Central Office staff who worked on the preparation of the Board's budget proposal, who were given a difficult task. I, along with Common Council leadership, believe that there can and will be a collaborative process between my administration, the Council, and the Board, between now and final budget adoption in June, to address the serious concerns we have with the current proposal and pass a forward-looking budget for our city and our schools. But it is very important that those concerns first be addressed, and I will elaborate on why in a few minutes.

Let me first discuss the City budget that my team and I have prepared. Despite the challenges and setbacks of the last two years, and a global economic outlook that remains as uncertain as ever, we are building on our strengths year after year, and the benefits can be felt throughout the



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community. Last week, I announced that the City's AAA bond rating had been reaffirmed for the seventh year in a row, continuing our streak of earning the open market's highest vote of confidence for sound financial management and positive economic outlook. I'll quote from S&P's report on why:

"Middletown has maintained, what we consider, strong operating results and consistent budget reserves over several fiscal years, supporting the [AAA] rating. Proactive management and conservative budgeting underpin a history of, what we view as, strong budgetary performance and even stronger reserves. An overfunded pension system and manageable fixed costs provide additional rating stability. Ongoing and growing development will likely support operational flexibility and, in our view, positive operations.

The rating reflects our opinion of Middletown's:

- *Very strong local economy with direct access to a broad, diverse metropolitan statistical area;*
- *Strong management with good financial-management policies and practices and a strong Institutional Framework;*
- *Strong, stable operations resulting in very strong budgetary flexibility and liquidity; and*
- *Manageable debt and fixed-cost liabilities."*

Our tax base, or grand list, grew 3.2% this year, representing very strong growth. Some of that growth was driven by the sharp rise in new- and used-car purchases, which has driven up motor vehicle valuations across the state and added value to the grand list. Even so, the growth in the tax base still outpaced our neighbors and allows my proposed budget to keep the tax rate flat.

That's the benefit of a strong economy in terms of our city budget: we can keep tax rates level and work to reduce cost of living, and still make new investments that will improve City services and quality of life for our residents. Also helping are a multitude of new state and federal funds my administration and I advocated for—from a permanent increase in Middletown's Payment in Lieu of Taxes reimbursement from the State of Connecticut to over \$5 million in competitive grants and bonding to renovate and redevelop our small business incubator at the historic R.M. Keating Enterprise Park and the restaurant at Harbor Park. And between more projects on Main Street in the pipeline and the Return to the Riverbend master planning process in full swing, we're just getting started.



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Speaking of Keating, here's a fun fact: the former factory building, which is located on Johnson Street in the North End and used to mass-produce everything from typewriters to bicycles, was also the site where the very first electric automobile was ever manufactured, on November 11, 1899. Today, they are the new home of EDriveUS, a small business that produces electric vehicle charging stations, and one of the many innovative businesses that are starting up or moving to Middletown thanks to these investments. Their EV chargers are newly installed at Melilli Plaza downtown, with more to come throughout the city, and we are excited to see them continuing a legacy that started right here in Middletown.

I thought that was neat, and it's not the only neat thing we're doing with sustainability this year. Under our plan, the existing City position of Recycling Coordinator will be entirely reimagined with additional funding and responsibilities as Sustainability Coordinator, and will have a broad mandate from me to identify and implement programs and policies citywide that keep Middletown as a leader in the state on innovative ways to protect our environment that also engage the community and support local jobs, like our pilot program to compost food waste from downtown restaurants. It's not just good for the planet, it also saves the restaurants money on tipping fees, and instead of going in a landfill, the compost is converted at a facility into a renewable energy source: a win-win-win. We are also creating a new staff position, long overdue, to supervise and oversee maintenance for all City buildings, as well as to monitor citywide energy and resource usage and adopt new policies to reduce usage. In the past, the City has lost money in the long run by failing to maintain buildings that eventually require expensive repair or replacement to be viable in the future. We have also over-relied on outside vendors like Honeywell to help monitor and reduce our energy consumption, which has not always worked out in the City's best interest. With an eye on the long term, this new position will hopefully be another win-win-win: our facilities will be better maintained, our energy costs will go down, and our carbon footprint will shrink.

Next, I want to highlight the community-building initiatives underway at the Middletown Police Department under the leadership of Chief Erik Costa and Deputy Chief Richard Davis. In the last few months, MPD has had two statewide firsts in this area. We were the first department in Connecticut to adopt a K9 officer dedicated to department wellness and community relations—a black lab now known throughout Middletown as K9 Bear, and throughout the state as a model for forward-thinking police departments. And we are piloting a partnership between MPD and the state Department of Mental Health and Addiction Services to embed social workers within the department, who can assist or take over from officers in responding to certain calls. An increasing number of calls that our first responders receive are mental health-related, and this partnership, which is paid for by the State of Connecticut, is very timely and very needed. In the first months, it's been so successful at improving outcomes for people in crisis that we've decided to double down on the strategy. MPD will add a new dedicated division for community



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services, which will be led by a newly-trained captain and oversee the programs I've just laid out. We will also hire a full-time clinical social worker, new in this year's budget, who will work directly with MPD and other city departments to help improve mental health outcomes for people in crisis or seeking treatment.

Finally, we are hard at work to develop and solicit projects and community programming that will be supported by the influx of pandemic relief funding into City coffers. Our American Recovery Plan Task Force, comprised of City staff, Council members, and community representatives, is in the process of reviewing a variety of project proposals addressing a wide range of subjects, from new arts, library, and recreation programming, to new mental health and health equity services, to shoring up the infrastructure and economic needs we've been talking about and much more. The \$21 million in funding that Middletown received through ARPA is a once-in-a-lifetime opportunity to create an impact that, if we are thoughtful and collaborative, will last for multiple lifetimes. Middletown is well positioned to use the lessons and challenges of the pandemic to solve the biggest challenges our community faced even before COVID-19, and just like with the annual budget itself, the more input we get, the better decisions we'll make.

Overall, this is a budget that continues the path that the City has been on for the last several years. As we build steadily on our fundamental strengths, the positive returns are beginning to compound year after year, and I'm incredibly excited about what the future holds for our community.

Speaking of the future, let me turn now to the Board of Education. The school budget accounts for roughly half of the overall city budget, about \$92 million in 2021-22. This has been a challenging time for Middletown's schools in a number of ways—from the massive and disruptive upheaval in education affecting the entire country and planet, to the recent change in the city charter that will move approximately 150 City of Middletown employees to the Board of Education, to the uncertainty surrounding the district's future as top officials remain on leave and under investigation. I want to commend and thank our acting superintendent of schools, Dr. Alberto Vázquez Matos, and his administrative team for their leadership through this period. They, along with all district staff and Board members, have faced an extraordinary set of intersecting challenges over the past few months.

With all that in mind, I have major concerns with the budget proposal that the Board adopted last night. I want to take the time to explain them because it matters a great deal that they be understood and addressed.

Overall, the Board's budget proposal is for a 6% or \$5.5 million increase over last year's budget for operational costs, plus an additional \$3.6 million proposed budget for capital projects and facilities maintenance. This is a large increase in comparison with recent budget years, but I'll



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get more into my concerns with cost later. First, I want to discuss substance, because costs can be justified when the substance is there—that's what budgeting is all about.

At the joint budget workshop between the Board of Education and the Common Council earlier this week, administration officials stated that the need for a 6% increase stems in large part from the district's struggles to attract and retain qualified teachers and other school staff. This is unusual for a couple of reasons. First, when residents raised concerns in recent months about teachers and other staff leaving the district, the Board and administration have repeatedly denied any staff retention issue exists in Middletown, pointing to national trends in education employment and describing turnover levels as ordinary when controlling for the still-present impact of the pandemic. Moreover, many of the staff who left the district in recent times have notably done so for lower-paying positions in other school districts outside Middletown, a fact of which the administration and Board are well aware. And the administration noted during the workshop that much of its recent hiring has been grant-funded, even for permanent positions that are not typically paid for with grants. In those cases, according to the administration, employees are informed during the hiring process that their positions are not permanently funded.

To claim now that staff are leaving because of underfunding is unusual because it contradicts basic facts and the Board's previous claims about staff turnover. It is more unusual for this reason: their budget proposal makes virtually no new investment in existing school staff, and in some cases, it actually makes cuts. The budget for full-time teacher salaries is reduced in this budget for six out of eight elementary schools, with a 3% increase at Macdonough and less than 1% increase at Wesley. At Beman and MHS, it's a similar story, with budgets for teacher salaries going slightly up in some departments and slightly down in others. If teacher salaries are truly a problem for retention in Middletown, this budget does nothing to solve that problem. It also seems that the Board's practice of hiring staff using one-time grants and warning new hires that their salaries are not in the budget, which is extremely poor accounting practice, might itself be a contributor to staff retention problems. (Keep this point in mind; we will come back to it later.)

There are more unusual cuts and underinvestments elsewhere. An 18% reduction is proposed for substitute teacher salaries, and the line item for additional compensation for teachers who take on extra duties being slashed 75%, further intensifying the budgetary and operational pressures bearing down on teachers and classroom staff. Cuts to purchased services hit teaching and learning staff again: professional development and employee training, previously budgeted at \$8,085, is slashed 64% to less than \$3,000. The routine overtime line for snow day custodial coverage and snow removal is zeroed out. These unexplained reductions and underinvestments, along with the gap that exists between the Board's public statements about teacher and staff retention and the reality reflected in their budget, is my first major concern with this proposal.



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So where is this 6% increase coming from? One might think it is because of the new employees moving over to the Board from the City due to charter revision, but that's not it, because those salaries and wages have historically been housed in the Board of Education's budget even before the change—the impact from charter revision will be felt more in the HR office than the finance department, for City Hall and the Board of Education alike. One might also assume it has to do with legal fees from the Board's investigation into complaints of misconduct by top administrators, but this is not the case either. With two law firms billing dozens of attorney hours to interview the dozens of witnesses who came forward, that investigation will indeed be costly, but the cost of the investigation is not reflected anywhere in this proposal, so we don't know how costly. The lack of transparency, in this budget and on the whole, around the status of this investigation and its cost to the public represents my second major concern.

Looking at staffing, we see a fairly substantial increase of \$834,000, or 19%, for classroom paraprofessional salaries (although library paras are reduced by 50%). But strangely, this follows a \$530,000 *decrease* in the same salary line in last year's budget. Administration officials acknowledged that the line had been underfunded in the previous budget and had to be replenished to meet classroom needs, but could not explain why. This presents a third major concern in and of itself: it should not be possible for a professional finance operation, especially one operating with public dollars, to lose more than half a million dollars without explanation, and no single official should have the authority to move that much money without checks and balances in place to ensure accountability.

The big salary jump that raises the most serious questions is the \$420,000 increase to three budget lines for employee stipends and payments to non-contracted employees, representing a hefty 74% hike from last year. At the budget workshop, the administration indicated that salaries for newly-created administrative positions are being partially paid for with one-time grant dollars. This appears to be the line where those dollars are housed, with some of the new positions in question budgeted elsewhere at less than half their contractual salary.

I'm breaking all this down to illustrate my larger point, which is this: the budget proposed by the Board relies heavily on one-time state and federal grants to paper over the fact that the administration has created and hired for multiple new salaried positions, several earning six figures, without budgeting for them and without a plan to do so. This is my fourth major concern. The administration was asked repeatedly at the workshop, by both Council and Board of Education members, about what will happen to these positions and all other grant-funded expenses in the budget when the funds are no longer available, which in some cases starts as early as next year. Even when pressed, they could not provide a substantive answer other than to say that hard decisions would have to be made if the expiring grants could not be replaced with other grants.



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The millions of dollars of federal assistance that was provided to cities and school districts over the last two years has been, and still is, an incredibly important lifeline for our community during the COVID-19 pandemic. That funding is also non-recurring: once we spend all of it, it doesn't replenish itself. That is why grants, with the exception of certain types of "entitlement" grants that school districts do receive annually from the State of Connecticut based on various criteria, should generally not be used to pay for fixed costs like employee salaries. This is doubly true because, under state law, once a school budget is adopted it becomes the baseline, or spending floor, for the following year's budget—so even though several new positions are not funded beyond the next couple of years, they will, under law, become fixed costs for the district if they are adopted in the fashion the Board proposes this year. And it is triply true because cities and school districts that received this federal assistance are under a very powerful microscope in a way we never have been before. Every penny spent out of ARPA, ESSER, CARES Act, and other pandemic assistance dollars is under incredibly intense scrutiny—and rightly so—by the media, by the public, and by the federal government.

For all of these reasons and more, there must be full transparency from the Board, beyond broad categories and infographics, on how and where they have spent or plan to spend the federal pandemic assistance they have received, and their plans for specific programs and staff positions that will be affected when the funding is depleted. Moreover, we also need an explanation of why so many new administrative positions were created in the last two years, at such high rates of pay, while funding for existing and new teacher salaries stagnates or declines.

Beyond that, my fifth and final major concern is the internal budgeting process at the Board. The three officials placed on leave last year, one of whom has since resigned and two of whom remain on leave, were together responsible for almost every part of the budget, from the day-to-day operations of the finance department to the high-level spending decisions we are contemplating now, before the left. The vacuum created by their departure on indefinite paid leave appeared to leave the staff at Central Office, including the acting superintendent, in the essentially impossible position of crafting a budget with no access to the only people who truly understand that budget. The Board itself, too, has lost institutional memory recently with the departure of incumbent members and the addition of several new ones. They are grappling with their first budget right out of the gate, a position I can sympathize with because I was in it myself not so long ago. I want to be clear, neither of these things are the fault of anyone now tasked with solving the problem; the timing and circumstances surrounding this budget were uniquely difficult for just about everyone involved. But the extent to which the remaining staff struggled to answer basic budget questions at this week's workshop is indicative, again, of a systemic issue that kept too much unilateral authority over the budget in the hands of too few people.

The administration has acknowledged this issue and indicated that steps are being taken to correct it, which is good. However, an independent forensic audit of the Board's recent financial



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practices is necessary to establish best practices going forward, and I hope that my Council colleagues will join me in urging the Board to take this step. The question to be answered isn't just what is being spent—it's how that spending is being authorized, documented, and accounted for. The City's Finance Department has been able to achieve and maintain strong finances and a AAA bond rating because we have formally adopted policies that prevent the spending or moving of money without multiple points of review and approval, both internally and as a matter of public record. The Board should have the same, and only by honestly assessing the past practices that got us here can better ones be established.

Here's the bottom line: this proposal must be reworked. Until that happens, I cannot and will not support an increase to the Board of Education budget beyond the statutorily required level established in the current year's budget. Unless critical questions about the long-term sustainability of the Board's approach to hiring are answered, and affirmative steps to identify and correct issues in the budget process are taken, the true cost of the Board's proposal cannot be known: this budget is an unfinished product, an inkblot on the City's balance sheet. What needs to happen next is for the Council, the Board, and the financial and administrative leaders from City Hall and Central Office to sit down, sharpen our pencils, open all the books, and work together in a true spirit of transparency to finish it.

This means the Council, the Finance Department, and ultimately the public do need to know the answers to questions like how the Board is spending pandemic relief dollars, and how the use of one-time grants to create new fixed costs will affect future budgets. We need to know the true cost of the independent investigation into the administration and how its findings will be addressed, especially as they relate to the Board's financial practices. And we need to know how the administration is providing our existing staff and students with meaningful support, before we approve hundreds of thousands of dollars in new fixed costs through the addition of new administrative positions as the district struggles to attract and retain nurses, teachers, and paras. I mentioned earlier that we are adding a number of new positions to City government this year. Most of those positions I would have loved to create on my first day as mayor—but before that could happen, there were other pressing needs that had to be addressed first. We take great care of our employees in Middletown, offering competitive wages and excellent retirement benefits, because investing in people is worthwhile. But that means adding new positions is more expensive than it sometimes looks, and need to be thoughtfully planned and budgeted for.

At the same workshop earlier this week that I've been referring to, it was mentioned that the best economic development driver that any city can have is an outstanding public school system. When it comes to that sentiment, I couldn't agree more. Not only that, great public schools are also the best tool we have to maintain strong communities, advance equity, diversity, and social justice, and ultimately to build a better future by advancing career readiness, social and emotional development, and a lifelong love of learning in our students. The opportunity to



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support a progressive vision for public education in Middletown is one of the primary reasons I decided to run for mayor three years ago, and I talked about it at thousands of front doorsteps during my campaign with people of all ages from all over the city. While there was a wide range of opinions about our schools (just like every other issue), pretty much everyone agreed on the basic principle that a thriving school system is a worthwhile investment for a community to make. Just about everyone agreed, too, that we have outstanding teachers and staff throughout our district whose work is worth supporting. It's true—we do. So let's build a budget that accomplishes that, and sets our united community on the right track.

In the coming weeks, the Council will hold public hearings on this proposal, where the public can hear more about the details of how each City department operates and where public dollars are being spent. The dates, times, and agendas can be found at MiddletownCT.gov, and you'll be hearing more from me soon about how you can be involved and make your voice heard. As you can probably tell, this is not the end of the process—just the end of the beginning. As we continue to work on finalizing the City budget with the Board and Council, the state legislature will adopt their budget as well, which may affect our bottom line, hopefully for the better. I, along with Council leadership, will endeavor to make this entire process as transparent as possible, as we have tried to each year. I hope that the Board will join us in that spirit.

At last night's Board meeting when the budget proposal was adopted, one of the Board's new members, Charles Wiltsie, made a number of important points about the plan's long-term viability, before offering a kind of challenge to the Common Council and me: to consider making a contribution from the City's strong general fund balance to the Board to help address the school system's operational needs. To Mr. Wiltsie, and to the entire Board and public, I will first say thank you for the suggestion, and second that I would absolutely consider making such a contribution, and you can take my word for it because I've done it before. In my first year as mayor, I made the largest fund balance contribution in recent city history in order to meet the Board of Education's full operational budget request. Not everybody thought that was such a good idea at the time, but I did it because I believed in our schools, and I still do. There is nothing the Council and I want more than to be able to generously fund our schools and feel confident about the investment. And while I agree to explore a fund balance contribution and indeed every option available to achieve a sustainable budget, I hope we can also agree that the issues raised here and at the workshop on Monday must be addressed and resolved before this budget can truly be called sustainable.

I want to thank you for sticking with me through this budget address, and I will end on a personal note, something I have never really talked about much in public. I love being your mayor, and I am grateful every day that I've been privileged with the opportunity to serve our community in this role. But I'm not going to be in politics forever. Politics, and government, is ultimately a means to an end, not the end in itself: it's a way to make a difference, or try to, on the issues that



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mean the most to me. Like I said earlier, education is one of those issues, and one of the reasons I ran for mayor. But another reason I ran, which I know might sound silly, is because I thought it would make me a better teacher one day. That, to me, is the highest calling that there is, because no one ever made a bigger impact on me than my teachers did, other than my parents, and both of them are educators, too. That's why I take this as seriously as I do, and as personally as I do. I guess it's a sort of legacy in Middletown, since many of my predecessors in the mayor's office were educators themselves, and so many Common Council members have been as well.

Education is the beating heart of our community, and we have to work together, honestly and transparently, to keep it that way. It's why I plan to do everything in my power to pass a budget that does right by our city, and no budget can do right by our city if it does not do right by our schools. I hope that the Board will join me in this effort, and I hope that you will too. Thank you for reading. I look forward to continuing our work together.